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INDIANA UTILITIES CORPORATION

Corydon, Indiana

**INDIANA UTILITY REGULATORY COMMISSION
Cause No. 43520**

SUPPLEMENTAL SETTLEMENT TESTIMONY OF

FRANK CZESCHIN

FILED

NOV 14 2008

**INDIANA UTILITY
REGULATORY COMMISSION**

1 **INDIANA UTILITIES CORPORATION**
2 **Corydon, Indiana**

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4 **IURC Cause No. 43520**

5
6 **Supplemental Testimony of**
7 **Frank Czeschin**
8
9

10
11
12 **Q. 1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.**

13 A. My name is Frank Czeschin. My business address is 123 West Chestnut Street, Corydon,
14 Indiana 47112.
15

16 **Q. 2. ARE YOU THE SAME FRANK CZESCHIN WHO PREVIOUSLY FILED**
17 **TESTIMONY IN THIS MATTER?**

18 A. Yes I am.
19

20 **Q. 3. HAVE YOU PARTICIPATED IN DISCUSSIONS WITH THE OFFICE OF UTILITY**
21 **CONSUMER COUNSELOR ("OUCC") RELATED TO THE ISSUES OF THIS**
22 **CAUSE?**

23 A. Yes, through our accountants and counsel.
24

25 **Q. 4. DO YOU BELIEVE THE SETTLEMENT IS REASONABLE?**

26 A. Yes. Like all settlements, it represents compromise on various issues, but I believe it
27 generally forms a reasonable basis for this Petitioner to move forward and to continue
28 providing good service to both existing and future customers requiring natural gas service.
29

1 **Q. 5. MR. CZESCHIN, IN YOUR TESTIMONY IN PETITIONER'S DIRECT CASE, YOU**
2 **DESCRIBED THE LIKELIHOOD OF PETITIONER SEEKING AUTHORITY TO**
3 **ISSUE LONG-TERM DEBT THROUGH REGIONS BANK. IS PETITIONER STILL**
4 **SEEKING THAT AUTHORITY?**

5 A. Yes we are.
6

7 **Q. 6. ARE THE TERMS OF THAT LONG-TERM DEBT THE SAME TERMS THAT**
8 **WERE PREVIOUSLY DESCRIBED BY YOUR EARLIER TESTIMONY?**

9 A. No. My earlier testimony was prepared prior to the recent credit market problems which have
10 occurred nationwide. Those problems have had an impact on our anticipated borrowing.
11 While Petitioner is still able to obtain a fixed interest loan from Regions Bank, the terms have
12 changed somewhat.
13

14 **Q. 7. PLEASE DESCRIBE THE CHANGES IN THE TERMS OFFERED BY REGIONS**
15 **BANK.**

16 A. While the amount of the loan, \$750,000, remains the same, the length of time the loan would
17 be outstanding has been reduced from a 15 year note to a 10 year note. Further, the interest
18 rate may exceed the 6.00% as I previously described. Finally, Regions Bank is requiring
19 additional collateral be pledged to obtain this loan.
20

21 **Q. 8. PLEASE DESCRIBE HOW THE INTEREST RATE HAS CHANGED.**

22 A. The interest rate used by Regions Bank is based on the London Interbank Offered Rate
23 (LIBOR). That rate has changed significantly since my prior testimony. In August when I
24 prepared my earlier testimony, LIBOR was approximately 3.50%, making a fixed interest rate

1 available at 6.00%. As of October 10, 2008, the bank advised that LIBOR had increased
2 more than one point and our fixed interest rate was estimated to be 7.25%. Since early
3 October, LIBOR has reduced to near the rate of early August; thus we anticipate our potential
4 interest rate has moved back closer to 6.00%.

5
6 **Q. 9. IS THIS VOLATILITY IN THE LIBOR RATE THE REASON THE SETTLEMENT**
7 **REFERENCES AUTHORITY TO ISSUE LONG-TERM DEBT UP TO 6.50%?**

8 A. Yes. The LIBOR rate will directly impact the final interest rate. However, there is also the
9 variable of time. Since we cannot set a date for closing until we know from the
10 Commission's Order that we are authorized to issue long-term debt, and since we can't
11 establish an interest rate until we set a closing date, we believe it is prudent to seek authority
12 up to a reasonable maximum. Thus we have proposed, and the Settlement provides for, an
13 interest rate of up to 6.50%.

14
15 **Q. 10. WOULD 6.50% BE A REASONABLE INTEREST RATE IN TODAY'S**
16 **ENVIRONMENT?**

17 A. Yes.

18
19 **Q. 11 ARE YOU WILLING TO FILE INFORMATION WITH THE OUCC AND THE**
20 **COMMISSION REFLECTING THE ACTUAL INTEREST RATE ONCE A CLOSING**
21 **HAS BEEN ESTABLISHED?**

22 A. Yes we are.

1 **Q. 12 IS IT LIKELY THAT THE INTEREST RATE WILL BE KNOWN BEFORE THIS**
2 **RATE GOES INTO EFFECT?**

3 A. Yes. I would anticipate we will know the final interest rate within a few days of the
4 Commissions' Order.

5

6 **Q. 13 WILL YOUR TRUED UP RATE BE IN KEEPING WITH THAT FINAL INTEREST**
7 **RATE?**

8 A. Yes.

9

10 **Q. 14 WHY HAVE THE PARTIES USED A 6.00% INTEREST RATE IN THE**
11 **ACCOUNTING SCHEDULES?**

12 A. Based on current LIBOR, we expect that final rate to be approximately 6.00%.

13

14 **Q. 15 MR. CZESCHIN, PLEASE DESCRIBE WHAT ADDITIONAL COLLATERAL**
15 **REGIONS BANK HAS NOW REQUIRED FROM PETITIONER.**

16 A. Petitioner has been required to pledge and set aside 200% of the principal loan amount and to
17 provide the personal guaranty of our largest stockholder.

18

19 **Q. 16 DO YOU BELIEVE THIS ADDITIONAL COLLATERAL IS A REASONABLE RISK**
20 **FOR THE PETITIONER TO TAKE?**

21 A. Yes I do. While we recognize that it is an added risk, we have managed the Petitioner in a
22 manner to insure that it is well capitalized, which in this instance directly inures to the benefit
23 of our customers, allowing us to acquire capital at a price significantly lower than the price of
24 equity capital. Thus, while I recognize that it is a risk, I believe it is a risk worth taking.

1

2 **Q. 17 RECOGNIZING THE OPTIONS AVAILABLE TO THIS PETITIONER, DO YOU**
3 **CONTINUE TO SUPPORT THE REQUEST FOR THE AUTHORITY TO ISSUE**
4 **LONG-TERM DEBT TO REGIONS BANK UNDER THE TERMS YOU HAVE**
5 **DESCRIBED HERE?**

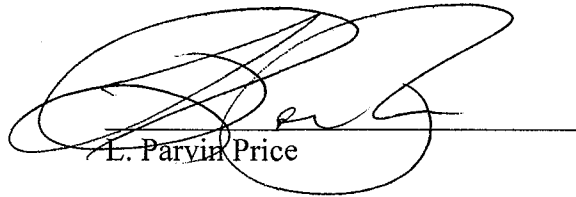
6 **A.** Yes I do.

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served upon the following electronically this 14th day of November 2008:

Leja Courter
Indiana Office of Utility Consumer Counselor
115 West Washington Street, Suite 1500 South
Indianapolis, IN 46204



L. Parvin Price